Investing in the Future: Update
Joint Legislative Transportation Oversight Committee
January 8, 2016

Paul J. Cozza, Executive Director
Alherd Kazura, CFO
Financial Overview

2016 Preliminary Forecast

- Containers at 98% of budget
- Bulk & Breakbulk above budget
- Expenses at/below budget
- On target to meet budgeted Net Income
- Excludes one-time gain on sale of marina and cost to dredge MHC inner harbor

* Excludes positive effect of implementing GASB 68 for net pension liability reporting

<table>
<thead>
<tr>
<th></th>
<th>FY 14 Actual</th>
<th>FY 15 Actual</th>
<th>% Change</th>
<th>FY 16 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Volume</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Container TEUs (thousands)</td>
<td>252.4</td>
<td>297.6</td>
<td>18%</td>
<td>317.3</td>
</tr>
<tr>
<td>General Cargo Tons (millions)</td>
<td>2.63</td>
<td>2.93</td>
<td>11%</td>
<td>3.01</td>
</tr>
<tr>
<td>(in millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>$ 39.5</td>
<td>$ 43.8</td>
<td>11%</td>
<td>$ 44.8</td>
</tr>
<tr>
<td>Expenses</td>
<td>39.2</td>
<td>37.7</td>
<td>-4%</td>
<td>40.2</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$ 0.4</td>
<td>$ 6.1</td>
<td></td>
<td>$ 4.6</td>
</tr>
<tr>
<td>Non-Operating Items</td>
<td>$ (13.6)</td>
<td>$ (3.4)</td>
<td></td>
<td>$ (2.9)</td>
</tr>
<tr>
<td>Net Income</td>
<td>$ (13.2)</td>
<td>$ 2.7</td>
<td></td>
<td>$ 1.7</td>
</tr>
</tbody>
</table>
Guiding Principles Remain Unchanged

• Double container business to >500K TEUs

• Expand business of general terminals by 4M tons

• Execute an investment plan for terminal, road and rail infrastructure to support growth

• Channel enhancement in Wilmington and Morehead City

• Achieve long term financial stability to independently fund capital growth prospects
Infrastructure Investment Plan - March 2015

<table>
<thead>
<tr>
<th></th>
<th>FY 2015 - FY 2020</th>
<th>FY 2021 - FY 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>5,000,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Morehead City</td>
<td>16,000,000</td>
<td>42,000,000</td>
</tr>
<tr>
<td>Wilmington</td>
<td>93,000,000</td>
<td>90,000,000</td>
</tr>
<tr>
<td>$ Total</td>
<td>114,000,000</td>
<td>134,000,000</td>
</tr>
</tbody>
</table>

Commercial needs and accelerated timing is driving modifications:
- Turning Basin Expansion
- Morehead City Dredging
- Scope of Berth 8 Replacement & Upgrades
- Section 203 Study for Harbor Deepening

Total project scope and cost is fluid and being revised.
Provides capability to turn vessels from 1,000 to 1,167 feet long
Morehead City Dredging

Current
- Federal funding shortfall for required dredging
- NC Ports will fund inner harbor dredging ($3.1-$3.5 million)
- Enables COE to utilize federal funds for outer harbor dredging

Future
- COE forecasts shortfall based on current federal funding levels
- Longer term state involvement is necessary to cover shortfall
Meets market demand to work two 1,100 foot post-panamax vessels
Modifications Summary

Berth 8 Replacement & Related Upgrades ($53-58 million)
- Replace 645ft x 200ft of dock structure
- Includes 645ft of new landside crane rail on Berth 8
- 272ft extension of 50ft gauge crane rail
- Rail extension to Berth 6 with partial removal of T-7
- Structural improvements to waterside crane rail on Berths 7 & 9

Post-Panamax Container Cranes ($32-36 million)

Turning Basin Expansion ($10-12 million)
- Relocate liquid bulk pier & dredging at east side of turning basin

Morehead City Dredging ($3.1-3.5 million)
- NCSPA funding current year’s inner harbor dredging

Section 203 Feasibility Study ($1.4 million)
Summary

• Rapidly changing customer needs and demands accelerate the scope and timing of infrastructure investments

• We must remain responsive and reactive to our customer demands

• Long-term planning is vital

• We continue to focus on business, industry and customer trends and appropriately react.
For more information:

www.ncports.com